

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking to Examine the
Commission's Future Energy Efficiency
Policies, Administration and Programs.

Rulemaking 01-08-028

**Comments Of The City Of Santa Monica
On Energy Efficiency Manual and Community Aggregation**

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For: THE CITY OF SANTA MONICA

May 16, 2003

I. INTRODUCTION AND SUMMARY

In accordance with the April 28, 2003, ruling of Administrative Law Judge Malcolm, the City of Santa Monica (“Santa Monica”) files these comments on community aggregation and the ongoing energy efficiency and conservation programs sponsored by the California Public Utilities Commission (“Commission”). Santa Monica is examining opportunities provided to local governments under the community choice aggregation bill, Assembly Bill 117, and appreciates the Commission’s invitation for comments on this important issue.¹ Santa Monica views energy efficiency and conservation as an important component of the integrated resource plan that community aggregators will need to develop before they can offer service. By clarifying the amount of energy efficiency funds that will be available, and the role of the community aggregator in delivering energy efficiency programs, the Commission can help local jurisdictions achieve their own goals and assist the State in meeting its goals.

II. ENERGY EFFICIENCY IS AN IMPORTANT COMPONENT OF A COMMUNITY AGGREGATION PROGRAM

A. Energy Efficiency Must Be Included In An Integrated Resource Plan

Section 366.2(c)(3) of the Public Utilities Code² requires a community choice aggregator to develop an implementation plan for its aggregation program. Section 366.2(c)(4) outlines certain elements that must be addressed in the implementation plan. Section 366.2(c)(7) requires the Commission to certify the implementation plan. Section 399.12(b)(2), promulgated last year with the passage of Senate Bill 1078, requires the Commission to determine how community

¹ Santa Monica has reviewed draft versions of the comments being filed by Cities for Community Aggregation, and endorses many of the ideas put forward in those comments. In these comments, Santa Monica also presents the Commission with its specific viewpoint on these matters.

² Unless otherwise noted, all references are to the Public Utilities Code.

choice aggregators will participate in the renewables portfolio standard, subject to the same terms as utilities. Taken as a whole, Santa Monica reads the Code to require it or any other community aggregator to prepare and submit to the Commission the equivalent of an integrated resource plan that incorporates renewables, energy efficiency, and other power generation sources. We therefore approach the Commission's request for comments on proposed changes to the Energy Efficiency Manual in the context of this broader mandate for community aggregators.

B. Santa Monica's Goals As A Potential Community Choice Aggregator

When evaluating the options presented by community aggregation, Santa Monica is particularly interested in the opportunity to facilitate (1) the aggregation and purchase of renewable power for its residents and businesses, and (2) energy efficiency programs tailored to the needs of our community, building upon successes achieved through earlier energy efficiency programs, but taking advantage of unique relationships the City has with its residents and businesses. Santa Monica is in the process of developing an Energy Plan that will consider these and other issues.

If Santa Monica pursues community aggregation, it will be as part of a long-term energy strategy that will include an integrated resource plan. One of the factors affecting our ability to do this will be certainty about the Commission's rules and roles for key elements of the energy efficiency program. A threshold issue is the amount of money that Santa Monica will be able to access through the public goods charge. To successfully design and implement energy efficiency programs, community aggregators need certainty about the amount of funds that will be available to them, and the timeframe over which that funding will be in place.

This is particularly important for local governments, which have certain requirements for public notice, contracting, and hearings that do not apply to private companies, like the utilities.

Community aggregators need to incorporate a certain amount of lead time to design and implement their energy efficiency programs. To the extent the Commission can work with local governments that pursue community aggregation to provide certainty that the jurisdiction will have access to a certain amount of funding for energy efficiency programs over a multi-year timeframe, that will allow community aggregators to better contribute to the achievement of the State's energy efficiency and conservation goals. Santa Monica recognizes that, in return, the Commission will need to set certain criteria for such funding and that demonstration of the ability to meet those criteria will need to be included in the community aggregation plan or other documents submitted to the Commission before funds are released. Santa Monica is committed to working with the Commission and its staff on developing such criteria as part of the community aggregation rules.

III. CLARIFICATIONS TO THE PROPOSED LANGUAGE IN THE ENERGY EFFICIENCY MANUAL

ALJ Malcolm's ruling includes proposed language for the Commission's Energy Efficiency Manual. Santa Monica requests that the proposed language be clarified in order to enhance the success of energy efficiency and conservation programs for community aggregators.

Proportional Share. The proposed language includes a definition of proportional share, and a methodology for determining what that proportional share is, that still leaves much uncertainty about the actual amount of funding that community aggregators will be able to access for energy efficiency and conservation programs. Santa Monica understands the Commission's interest in preserving its ability to leverage funds to produce the greatest results. However, as described above, local governments can only implement successful, cost-effective programs if they have some certainty about the amount of funds with which they will be working over a given period of years. One of the greatest obstacles to development of solid energy efficiency

programs by committed local governments such as Santa Monica has been the lack of any certainty regarding multi-year funding from the Commission. Santa Monica therefore requests that the Commission include a provision that guarantees at least the funding floor over a period of several years.

The proposed language also directs the investor-owned utilities to determine the proportional share, and make that information available on their web sites and upon request. Santa Monica suggests that this is an area where the Commission should have a stronger presence. The Commission should develop, or at least approve, the methodology that the utilities will use. As suggested by Cities for Community Aggregation, this methodology should be transparent and predictable.

Role of community aggregators in administering programs. Section 381.1 provides the Commission discretion to direct funds to specific locations and determine the entity that will administer programs in a given jurisdiction. The draft proposal for the Energy Efficiency Manual gives no certainty to a community aggregator on the critical issue of whether its energy efficiency and conservation programs will be funded. This uncertainty, in turn, will make it difficult, and probably impossible, for the community aggregator to achieve the goals laid out in its integrated resource plan.

Santa Monica suggests that the Commission should attempt, where possible, to allow community aggregators that wish to implement energy efficiency and conservation programs to do so. The rules should be crafted in a way that makes it the exception, and not the rule, that an entity other than the community aggregator would propose and implement programs in the community aggregator's jurisdiction.

The Commission should make clear the targets and cost-benefit ratios energy efficiency programs must meet, as it did in the 2002 solicitation for local program third-party implementers. The Commission then should work with community aggregators to ensure that the programs being proposed are in line with the Commission's goals and expectations. Cities and counties are eager to work with the Commission and other parties, including the utilities, to achieve demand reductions in a collaborative manner.

IV. CONCLUSION

Santa Monica is pleased that the Commission is initiating a discussion of this important aspect of community aggregation, as the many decisions that the Commission must make about community aggregation will have a direct impact on the viability of that option. The Commission should be mindful that energy efficiency programs undertaken by community aggregators will be part of those jurisdictions' integrated resource plans. The Commission should provide community aggregators with certainty about the amount of funds that will be available, and the timeframe over which those funds will be available. Finally, the Commission should work with community aggregators to ensure that their energy efficiency and conservation programs are in concert with the State's goals. It should be the exception, and not the rule, that

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an entity other than a community aggregator is implementing programs in the territory of a community aggregator.

Respectfully submitted,

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For: THE CITY OF SANTA MONICA

May 16, 2003

CERTIFICATE OF SERVICE

I, Jack McGowan, certify that I have, on this date, caused the foregoing COMMENTS OF THE CITY OF SANTA MONICA ON ENERGY EFFICIENCY MANUAL AND COMMUNITY AGGREGATION to be served by electronic mail on the parties listed on the Service List, and by U.S. Mail for those who have not provided an electronic address, for the proceeding in California Public Utilities Commission Docket No. R.01-08-028.

I declare under penalty of perjury, pursuant to the laws of the State of California, that the foregoing is true and correct.

Executed on May 16, 2003 in San Francisco, California.

Jack McGowan